

**Minutes**  
**Finance Committee Meeting**  
**3:30pm, August 27, 2013**  
**First Floor-North Conference Room, City Hall**

**Present:** Vice Mayor Esther Manheimer, Chair; Councilman Chris Pelly,  
Councilman Marc Hunt

**Staff:** Gary Jackson, Jeff Richardson, Cathy Ball, Eric Hardy, Dawa  
Hitch, McCray Coates, Rhonda Devan, Maggie Ullman, Pat  
Liguori, Donna Martin, Brad Stein, David Foster, Greg Schuler,  
Tony McDowell, Shannon Tuch, John Sanchez

**Approval of 2/26/13 Minutes**

Councilman Pelly made a motion to approve the 2/26/13 minutes and this motion was seconded by Councilman Hunt and unanimously approved by the committee.

Deputy Finance Director Eric Hardy reviewed Finance Department's new functional responsibilities of the finance department, and re-introduced key department personnel to the Committee. Amy Patterson (not present) manages the Purchasing and Contracting Division, Pat Liguori manages the city's investment and debt portfolio, central bank account relationships, account payable and receivables and all payroll related functions. Tony McDowell is the Budget Manager, Brad Stein oversees Risk Management and Rhonda Devan is the Audit Services Manager.

**New Business**

**Status of the FY 2013 Financial Audit**

Ms. Devan reported that the FY 2013 Financial Audit is on track and ahead of schedule, primarily due to more in-house auditing. The Information Technology audit is 100% complete with no significant deficiencies or material weaknesses to report. The Grant Compliance is 80% complete with one potential finding. Staff will report on that next month. The Comprehensive Annual Financial Report (CAFR) is 25% complete and is due for submission in October.

Councilman Hunt asked about the over-all experience with the new auditors. Ms Devan responded that it has been very positive. The new auditor's take a different approach from the previous auditors, that requires less time on site. Ms. Devan suggested that could be due to maximizing the function of the internal audit.

**Storm Damage - update on fiscal impact**

Assistant City Manager Cathy Ball presented a status update on the fiscal impact of recent storm damage. She discussed five major mud slides. The Spooks Branch project is completed as of today, with a savings from the original estimate. The Skyview project is currently under construction. The Finalee, Bent Tree, and Sunset projects are under review and estimates have yet to be determined.

Councilman Hunt asked if we could expect multi-hundred thousand dollar costs of each of the remaining projects. Ms. Ball said yes, there is concern that each of the remaining projects could potentially cost as much or more as the other two. A number of smaller slides were repaired in-house at a material cost of about \$38,000.

Ms. Ball then discussed potential funding options for the repairs, including the street resurfacing budget, the economic development CIP, and the storm water fund balance, which is in excess of 8%. Chairwoman Manheimer asked if 8% was the recommended fund balance for this sort of enterprise fund. Mr. Hardy affirmed.

Councilman Hunt asked if the City has slowed the street paving schedule to cover the repairs. Ms. Ball responded that the City has not. The street paving that is currently underway, is covered by last year's budget. By January or February the exact costs will be known and hopefully the money will be in place. Chairwoman Manheimer asked what would have been done with the storm water fund in excess of 8%. Ms. Ball reported that there is a list of capital improvement projects that the fund balance would cover. McCray Coates described examples of projects on the list that are underway. Councilman Hunt stated his preference was to avoid taking from the street paving funds.

Ms. Ball reported that there would be no FEMA declaration and the money spent on these slides would not be recovered through the federal government. Staff documented the cleanup as if that were a possibility. David Foster explained that NC Emergency Management will send a team tomorrow to review the slides for the possibility of a misdiagnosis. If they find damage that exceeds a cost threshold of \$800,000 then Asheville may be eligible for a reversal and an emergency declaration.

Mr. Hardy discussed that these potential funding sources are preliminary options to consider in a changing budget environment. He noted the loss of revenue from the termination of the Biltmore Forest fire contract. Additional items with potential budgetary impact include the Health Fund, the Worker's Compensation Fund, and the Property Liability Fund. In recent history we have seen high claims, and consequently staff is always watching these reserves to make sure they are adequately funded.

Councilman Hunt asked if there was a concern that those areas were underfunded. Mr. Hardy responded no, not at this time.

**Legislative Update – impact of revenue reform**

Mr. Hardy revisited HB 998, the Tax Simplification and Reduction Act, which was presented to Council in July. The impact on Asheville will be roughly neutral. The General Sales Tax is expanded to electricity and natural gas. Municipal sales tax shares are smaller, but the State provided a hold harmless clause. There is an expansion of sales tax on services for maintenance and repair on goods that are subject to sales tax.

**Other Business:**

**Recruitment of Finance Director**

City Manager Gary Jackson reported on the recruitment of a Finance Director. It is a statewide recruitment and there are multiple in-house candidates that are interested. Staff is moving that process along and when the position is filled council will be notified. The timeline is 30-45 days. We currently are recruiting for Finance Director, Public Works Director, Deputy City Manager, and these are big shoes to fill. Staff is looking for a Range Rider to serve as an interim Deputy City Manager. The people making reports here today have worked very hard and we especially appreciate Eric Hardy stepping up during this period.

**Storm Water Funds**

Mr. Jackson said that staff appreciates council's direction to keep the paving funds in place. Councilman Hunt asked for Mr. Jackson's input on the paving funds. Mr. Jackson commented that lines blur when you talk about using storm water funds to maintain an existing system. When people pay that fee they want to see system improvement. We want to make sure that those expenditures are justified storm water projects. In some cases we are just replacing streets that have collapsed. We want to make sure that we have the right balance between storm water funds and capital improvement funds.

Councilman Hunt asked if staff is still looking at leveraging storm water funds. Pay-Go for storm water only aggregates small chunks, but if you leverage the funds for borrowing you can plan for bigger projects. Mr. Jackson responded that Eric and Tony should continue to look at that model. It is a tax equity issue; it doesn't make sense for everyone today to pay for a capital improvement that will be in place for 20-30 years. We will get more bang-for-the-buck, even though the cost of borrowing has gone up. What is the storm water plan? What is the fee? To what extent can we supplement the CIP by issuing debt? That will be something that we need to come back to in our review after the first of the year.

Vice-Mayor adjourned the meeting at 3:56 PM.